

## Message Text

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E. O. 11652: N/ A

TAGS: EMIN ETRD KS US

SUBJECT: KOREAN STEEL EXPORTS TO US

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1. SUMMARY. RECENT DRAMATIC INCREASES IN KOREAN STEEL EXPORTS TO US, PARTICULARLY TO SENSITIVE WEST COAST AREA, ARE OF INCREASING CONCERN TO US STEEL PRODUCERS AND MEMBERS OF CONGRESS. WITH EXCEPTION OF CANADA, KOREA IS NOW THE LEADING SUPPLIER OF STEEL TO US MARKET NOT COVERED BY VOLUNTARY RESTRAINT ARRANGEMENT ( VRA) ENTERED INTO BY EC AND JAPANESE STEEL PRODUCERS. EMBASSY REQUESTED DISCUSS STEEL EXPORTS WITH APPROPRIATE KOREAN OFFICIALS. DEPARTMENT PLANS ALSO DISCUSS ISSUE WITH KOREAN EMBASSY. END SUMMARY.

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2. KOREAN STEEL MILL PRODUCT EXPORTS TO US HAVE RISEN SHARPLY OVER PAST YEAR. FROM 133,000 NET TONS IN CY 1971, EXPORTS TO US ROSE 250 PERCENT TO 465,000 NT IN 1972 ( NOTE: ALL FIGURES IN THIS TELEGRAM IN NET TONS OF 2,000 LBS, AND BY US DATE OF IMPORT). DURING FIRST LIMITED OFFICIAL USE

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EIGHT MONTHS 1972, MONTHLY KOREAN STEEL EXPORTS TO US AVERAGED 30,000 NT. THIS ROSE SHARPLY TO MONTHLY AVERAGE

56,000 NT FOR LAST FOUR MONTHS 1972, POSSIBLY AS NEW PRODUCTION FACILITIES ( POHANG?) CAME ON STREA, AND US IMPORTS KOREAN STEEL IN JANUARY 1973 TOTALED 67,000 NT. WE REALIZE THAT SOME, PERHAPS SUBSTANTIAL, PART KOREAN

STEEL EXPORTS CONSISTS OF JAPANESE STEEL EXPORTED TO KOREA AND PROCESSED FURTHER PRIOR TO EXPORT TO U. S., BUT UNDER U. S. CUSTOMS REGULATIONS SUCH STEEL CONSIDERED KOREAN IN ORIGIN ONCE TRANSFORMED BY FURTHER PROCESSING ( E. G., INGOT INTO SLAB, ETC.).

3. FROM 12 TH PLACE RANKING AS US STEEL SUPPLIER IN 1971 (7 TH PLACE IF EC NATIONS CONSIDERED AS SINGLE UNIT), KOREA ROSE TO 8 TH PLACE IN 1972 ( FOURTH AFTER EC, JAPAN AND CANADA). WITH EXCEPTION OF CANADA, KOREA NOW LEADING STEEL SUPPLIER WHOSE EXPORTS TO US NOT COVERED BY VRA ENTERED INTO BY EC AND JAPANESE STEEL PRODUCERS. ( CANADIAN SITUATION DIFFERS FROM THAT OF OTHER SUPPLIERS IN THAT CANADA IS LARGEST SINGLE MARKET FOR US STEEL EXPORTS. IN CY 1972 US EXPORTED OVER 700,000 NT TO CANADA, VS. 1.2 MILLION NT IMPORTED FROM CANADA. ALSO, APPROX ONE-THIRD US EXPORTS TO CANADA IN FORM OF INGOTS, BLOOMS, AND SLABS, SOME OF WHICH MAY BE FURTHER PROCESSED IN CANADA AND RE- EXPORTED TO US. THIS MAY ALSO BE TRUE OF OTHER STEEL EXPORTED TO CANADA.) SUBSTANTIAL KOREAN EXPORT GAINS MAY BE INTERPRETED BY VRA PARTICIPANTS AS EROSION OF THEIR POSITIONS IN U. S. MARKET, WHICH ARE LIMITED BY QUANTITATIVE PROVISIONS OF VRA, AND THUS STRAIN ARRANGEMENTS.

4. ADDING TO US INDUSTRY CONCERNS IS KOREAN CONCENTRATION ON WEST COAST AREA. DURING 1972, KOREAN STEEL EXPORTS TO SEVEN- STATE PACIFIC COAST REGION ROSE BY OVER 400 PERCENT, FROM 43,000 NT IN 1971 TO 221,000 NT. AS PERCENTAGE OF TOTAL KOREAN EXPORTS TO US, SHIPMENTS TO PACIFIC COAST REGION ROSE FROM 32 PERCENT IN 1971 TO 47.5 PERCENT IN 1972. KAISER STEEL CORP. ( ONLY INTEGRATED WEST COAST PRODUCER) AND OTHER WESTERN STEEL PRODUCERS AND PROCESSORS HAVE LONG ARGUED THAT WESTERN REGION TAKES DISPROPORTIONATE SHARE OF TOTAL U. S. STEEL IMPORTS. THEY ESTIMATE THAT LIMITED OFFICIAL USE

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IN 1972 IMPORTS ACCOUNTED FOR 36 PERCENT OF WESTERN STEEL MARKET, VS. 16 PERCENT OF NATIONAL MARKET. AS RESULT, WESTERN STEELMAKERS FEEL THAT STEEL VRA HAVE BENEFITED THEM LESS THAN STEEL INDUSTRY IN OTHER PARTS OF US, ALTHOUGH VRA DO HAVE PROVISIONS AIMED AT MAINTAINING EXISTING GEOGRAPHIC DISTRIBUTION PATTERNS. ( IN CASE OF JAPAN, NO MORE THAN ONE- THIRD OF TOTAL STEEL SHIPMENTS TO U. S. ARE TO BE SHIPPED TO WEST COAST.) THUS, WEST

COAST STEEL PRODUCERS SEE KOREA, UNHAMPERED BY ANY RESTRAINT ARRANGEMENT AND INCREASING ITS PENETRATION RAPIDLY, AS A SPECIAL AND GROWING THREAT TO THEIR ECONOMIC WELL- BEING.

5. KAISER STEEL HAS LAUNCHED MAJOR PR CAMPAIGN AIMED AT PUBLIC, GOVERNMENT OFFICIALS AND LEGISLATORS, TO CALL ATTENTION TO WEST COAST STEEL IMPORT PROBLEM. GIVEN DRAMATIC INCREASE KOREAN STEEL EXPORTS TO US IN GENERAL AND WEST COAST IN PARTICULAR, WE MAY EXPECT KOREA TO BECOME A MAJOR TARGET IN THIS CAMPAIGN.

6. WEST COAST CONGRESSIONAL GROUP HAS ARRANGED APRIL 3 MEETING WITH STR' S EBERLE, SENIOR DEPARTMENT AND OTHER EXECUTIVE AGENCY OFFICIALS TO DISCUSS WEST COAST STEEL IMPORTS. AGAIN, WE MAY EXPECT SPECIAL ATTENTION TO BE FOCUSED ON KOREA.

7. ACTION REQUESTED: IN VIEW FOREGOING, EMBASSY REQUESTED DISCUSS STEEL EXPORTS WITH KOREAN STEEL INDUSTRY AND/ OR ROKG OFFICIALS AT APPROPRIATELY HIGH LEVEL. ( DEPARTMENT' S DISCUSSIONS WITH EC, JAPANESE AND OTHER PRODUCERS HAVE BEEN ALMOST ENTIRELY WITH INDUSTRY OFFICIALS, ALTHOUGH WITH KNOWLEDGE FOREIGN GOVERNMENTS.) IN DISCUSSIONS, EMBASSY SHOULD NOTE RAPID RISE IN KOREAN STEEL EXPORTS TO U. S., AND THE PROBLEMS THIS CREATES, PARTICULARLY IN WEST COAST REGION. FAILURE BY KOREAN INDUSTRY TO RESTRAIN EXPORTS AND CONTINUED CONCENTRATION ON WEST COAST COULD RESULT IN INCREASED CONGRESSIONAL PRESSURES FOR LEGISLATED SOLUTION ( I. E., QUOTAS) TO STEEL IMPORT PROBLEM IN PLACE OF VRA.

8. SHOULD KOREANS RAISE SUBJECT OF PENDING LITIGATION LIMITED OFFICIAL USE

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( CONSUMERSUNION LAWSUIT) AGAINST VRA, EMBASSY SHOULD STATE USG BELIEVES VRA IS LEGAL AND IS CURRENTLY APPEALING FEDERAL DISTRICT COURT OPINION IN ORDER REMOVE ANY UNCERTAINTIES CONCERNING LEGALITY OF VRA.

9. FOR USE IN DISCUSSIONS, DEPARTMENT POUCHING TO EMBASSY, ADDRESSED TO DCM, DETAILED STATISTICS ON STEEL IMPORTS FROM KOREA, BACKGROUND INFORMATION ON VRA AND CURRENT LITIGATION, AND MATERIAL ON KAISER STEEL' S CAMPAIGN CALLING ATTENTION TO WEST COAST PROBLEM.

10. AFTER EMBASSY HAS DISCUSSED PROBLEM WITH KOREANS AND HAS REPORTED ON THAT DISCUSSION, DEPARTMENT PLANS DISCUSS WITH KOREAN EMBASSY.

11. ALL COMMUNICATIONS ON SUBJECT KOREAN STEEL EXPORTS  
AND VRA SHOULD BE SLUGGED " STADIS".

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